

Virginia Department of Mines, Minerals & Energy

Virginia Gas and Oil Board

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Minutes and results of hearing, May 16, 2006

Board members present: Mr. Harris, Mr. McIntyre, Mr. Ratliff, Ms. Quillen, Mr. Simon, Mr. Wampler

1. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for creation and pooling of a conventional gas unit Plum Creek #27-06, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1604. Continued from April 2006.

In the Plum Creek #27-06 112.69-acre conventional gas unit, the applicant controls 62.2% of the oil and gas interests, and seeks to pool the remaining 37.8% of the interests. Unleased acreage subject to pooling totals 42.6 net acres in one tract having one owner who is not leased to the applicant. There are no unlocated owners subject to escrow. A permit application has been submitted. Continued to the June hearing.

2. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536616, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1532-01. Continued from April 2006.

In the VC-536616 58.77-acre unit, the applicant controls 99.5% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 0.5% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 0.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in three tracts having one unlocated owner (99.5%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 12/16/05. Continued to the June hearing.

3. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536474, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-05-1115-1533-01. Continued from April 2006.

In the VC-536474 58.77-acre unit, the operator controls 89.6% of the coal and gas interests, and seeks to pool the remaining 10.4% of the interests. Unleased acreage subject to pooling totals 6.1 net acres in one tract with one owner who is not leased to the applicant. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in November, 2005. No permit application has been submitted. Continued to the June hearing.

4. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536475, Sandlick District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1537-01. Continued from April 2006.

In the VC-536475 58.77-acre unit, the operator controls 42.1% of the coal and gas interests, and seeks to pool the remaining 57.9% of the interests. Unleased acreage subject to pooling totals 34.0 net acres in two tracts with two owners who is not leased to the applicant. There are no conflicting claimants but there are unknown owners subject to escrow. The unit was

originally pooled in November, 2005. No permit application has been submitted. Continued to the June hearing.

5. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536622, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1608. Continued from April 2006.

In the VC-536622 58.77-acre unit, the applicant controls 94.1% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 5.9% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 3.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in Two tracts having one unlocated owner (94.6%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit application has been submitted. Continued to the June hearing.

6. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 2 and 3, unit S-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0915-0681-02. Continued from April 2006. Continued from April 2006.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Disbursement of funds from Tract 2 was approved. Disbursement of funds from Tract 3 was denied due to objections of respondents having interests in that tract.

7. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 3 and 4, unit S-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0626-04. Continued from April 2006.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Disbursement of funds from Tract 4 was approved. Disbursement of funds from Tract 3 was denied due to objections of respondents having interests in that tract.

8. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on a portion of Tract 2, unit T-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0421-0695-02. Continued from April 2006.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Disbursement of funds from Tract 2 was approved.

9. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on portions of Tracts 2A, 2G, 3B and 3C, unit T-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0625-04. Continued from April 2006.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Disbursement of funds from Tracts 2a and 2g was approved. Disbursement of funds from Tracts 3b and 3c was denied due to objections of respondents having interests in that tract.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on a portion of Tract 1B, Unit U-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0421-0648-01. Continued from April 2006.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Disbursement of funds from Tract 1B was approved.

11. The Virginia Gas and Oil Board received corrective testimony from CNX Gas Company, LLC regarding previously pooled Unit V-8, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0418-1615.

The purpose of this appearance was to correct testimony given at the original pooling hearing in April of this year. The applicant inadvertently presented incorrect percentages of leased and unleased interests and asked to be placed on this month's docket in order to correct the record. Corrective testimony was accepted and the record corrected.

12. The Virginia Gas and Oil Board, on its own authority reconsidered prior approval of re-pooling, coalbed methane unit P-40, Garden District, Buchanan County, Virginia. Re-pooling was approved at the February 21, 2006 hearing. Docket Number VGOB-93-0216-0330-04.

The re-pooling that was approved in February involved property of owner Kyle Robinson. Mr. Robinson claims that he has more acreage than was shown in the application submitted by the CNX Gas Company, LLC. Acreage attributed to Mr. Robinson in the application was determined by surveys of adjacent tracts, but there was no survey of the Robinson tract. Mr. Robinson has obtained a survey of his property that purports to attribute more acreage to his ownership. Conflicting maps and surveys were presented to the Board and re-pooling was denied.

13. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for pooling of conventional gas unit Big Vein Well #35-06, Unit PK N-21, Garden District, Buchanan County, Virginia. Docket Number VGOB-06-0516-1629.

In the PK N-21 180-acre conventional gas unit, the applicant controls 50.5% of the oil and gas interests, and seeks to pool the remaining 49.5% of the interests. Unleased acreage subject to pooling totals 89.1 net acres in one tract having one owner who is leased to a third party. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on a portion of Tract 1A and Tract 1C, Unit T-37, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0421-0650-03.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Disbursement of funds from Tract 1C was approved. Disbursement of funds from Tract 1A was denied due to objections of respondents having interests in that tract.

15. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 1A and 1D, Unit W-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0629-01.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Disbursement of funds was approved

16. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for establishment of drilling unit under field rules allowing for horizontal drilling, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-04-0921-1341-04.

The applicant seeks authorization to combine 15 Oakwood 80-acre units for the purpose of creating a 1200-acre horizontal drilling unit. Proposed horizontal wells in both units will target the Pocahontas 3, 4 and 5 coal seams. Numerous vertical wells have been previously drilled in the units. No permit applications for horizontal wells in the proposed units have been submitted. Field rules establishing units for horizontal drilling were approved.

17. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for modification of the Oakwood I field rules to allow for the drilling of an additional well in units VVV-20 to ZZZ-29, A-18 to A-30, B-18 to B-31, C-18 to C-32, D-18 to D-31, E-18 to E-32, F-18 to F-29, G-18 to G-28, H-18 to H-23, I-18 to I-23, J-18 to J-22, K-18 to K-20 in the Grundy and North Grundy Districts, Buchanan County, Virginia. Docket Number 93-0216-0325-06.

The Oakwood Field Order currently allows one fraced coalbed methane well in each unit, and that well is to be drilled within the drilling window which is 300 feet inside the boundary of the unit. The applicant seeks to modify the order to allow for drilling of more than one frac well in each included unit, with the second well allowed to be drilled outside the window and not subject to the current 600 feet minimum spacing from other wells. In March of 2003, January, March and November, 2005, and March, 2006, the Board approved similar requests for drilling of multiple wells in each unit for units in other areas of the Oakwood field. The field rule modification was approved after units C29 and E32 were removed from consideration due to objections by respondents.

18. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit B-25, Garden District, Buchanan County, Virginia. Docket Number VGOB-01-1016-0933-01.

In the B-25 80-acre unit, the operator controls 99.8% of the coal and gas interests, and seeks to pool the remaining 0.2% of the interests. Unleased acreage subject to pooling totals 0.2 net acres in one tract with one unleased owner. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in October, 2001. A permit to drill the unit was issued on 5/2/05, and a well has been drilled and completed. Re-pooling was approved.

19. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit B-20, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-04-1019-1342-01.

In the B-20 80-acre unit, the operator controls 98.5% of the coal and gas interests, and seeks to pool the remaining 1.5% of the interests. Unleased acreage subject to pooling totals 1.2 net acres in one tract with two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in October, 2004. A permit to drill the unit was issued on 8/24/04, and a well has been drilled and completed. Re-pooling was approved.

20. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit B-18, North & South Grundy Districts, Buchanan County, Virginia. Docket Number VGOB-06-0516-1630.

In the B-18 80-acre unit, the applicant controls 99.8% of the coal interests and 97.97% of the gas interests, and seeks to pool the remaining 0.2% of the coal interests and 2.03% of the gas interests. Unleased coal acreage subject to pooling totals 0.1 net acres in one tract with one unleased owner, and gas acreage subject to pooling totals 1.6 net acres in two tracts with three

unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 6/1/05 and a well has been drilled and completed. Pooling was approved.

21. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-103, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-06-0516-1631.

In the AZ-103 58.78-acre unit, the applicant controls 100% of the coal interests and 90.9% of the gas interests, and seeks to pool the remaining 9.1% of the gas interests. Unleased gas acreage totals 5.3 acres in five tracts having 25 unleased owners. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. An application for permit to drill the unit has been submitted. Pooling was approved.

22. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of conventional gas unit V-550447, Kenady District, Dickenson County, Virginia. Docket Number VGOB-06-0516-1632.

In the V-550447 112.69-acre conventional gas unit, the applicant controls 66.4% of the oil and gas interests, and seeks to pool the remaining 33.6% of the interests. Unleased acreage subject to pooling totals 37.8 net acres in one tract with one unleased owner. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

23. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537048, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0516-1633.

In the VC-537048 58.77-acre unit, the applicant controls 100% of the coal interests and 0.0% of the gas interests, and seeks to pool 100% of the gas interests. Unleased gas acreage totals 58.77 acres in one tract having one unleased and unlocated owner. There are conflicting claimants and unknown owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

24. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537050, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0516-1634.

In the VC-537050 58.77-acre unit, the applicant controls 100% of the coal interests and 0.0% of the gas interests, and seeks to pool 100% of the gas interests. Unleased gas acreage totals 58.77 acres in one tract having one unleased and unlocated owner. There are conflicting claimants and unknown owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

25. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537051, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0516-1635.

In the VC-537048 58.77-acre unit, the applicant controls 100% of the coal interests and 0.0% of the gas interests, and seeks to pool 100% of the gas interests. Unleased gas acreage totals 58.77 acres in one tract having one unleased and unlocated owner. There are conflicting claimants and unknown owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

26. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537052, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0516-1636.

In the VC-537052 58.77-acre unit, the applicant controls 97.8% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 2.2% of the coal interests and 100% of the gas interests. Unleased coal acreage totals 1.3 net acres in one tract with one unleased owner, and unleased gas acreage totals 58.77 acres in two tracts having two unleased owners. There are conflicting claimants and unknown owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

27. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-537049, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0516-1637.

In the VC-537049 58.77-acre unit, the applicant controls 100% of the coal interests and 0.0% of the gas interests, and seeks to pool 100% of the gas interests. Unleased gas acreage totals 58.77 acres in one tract having one unleased and unlocated owner. There are conflicting claimants and unknown owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

28. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 825687, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0416-1638.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 227 feet closer to existing Chesapeake gas well 23795 than the 2500 feet mandated by spacing. The exception is needed to minimize impact on future coal mining operations and to avoid populated areas. An application for permit to drill the unit has been submitted. The location exception was approved.

29. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 824612, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0416-1639.

In the 824612 112.69-acre conventional gas unit, the applicant controls 97.6% of the oil and gas interests, and seeks to pool the remaining 2.4% of the interests. Unleased acreage subject to pooling totals 2.7 net acres in two tracts with 45 unleased owners. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

30. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 824610, Knox District, Buchanan County, Virginia. Docket Number VGOB-06-0416-1640.

In the 824610 112.69-acre conventional gas unit, the applicant controls 98.4% of the oil and gas interests, and seeks to pool the remaining 1.6% of the interests. Unleased acreage subject to pooling totals 1.9 net acres in two tracts with 14 unleased owners. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

31. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 825524, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-06-0416-1641.

In the 825524 112.69-acre conventional gas unit, the applicant controls 82.1% of the oil and gas interests, and seeks to pool the remaining 17.9% of the interests. Unleased acreage subject to pooling totals 20.1 net acres in three tracts with 15 unleased owners. There are unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

32. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for re-pooling of conventional gas unit 825404, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0315-1420-03.

In the 825404 112.69-acre conventional gas unit, the applicant controls 95.1% of the oil and gas interests, and seeks to pool the remaining 4.9% of the interests. Unleased acreage subject to pooling totals 5.5 net acres in three tracts with 18 unleased owners. There are no unlocated owners subject to escrow. A permit to drill the unit was issued in September, 2005. Re-pooling was approved.

33. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for modification of the Nora Coalbed Gas field rules to allow for the drilling of an additional well in units I-101, I-100 and I-99 in the North Grundy District, Buchanan County, Virginia. Docket Number VGOB-89-1026-0009-03.

The Nora Field Order currently allows one fraced coalbed methane well in each unit, and that well is to be drilled within the drilling window which is 300 feet inside the boundary of the unit. The applicant seeks to modify the order to allow for drilling of more than one frac well in each of the three named unit, with the second well allowed to be drilled outside the window and not subject to the current 600 feet minimum spacing from other wells. The three units are on the edge of the Nora Field, are “make up” units, and, as such, are larger (~ 70-acres) than the usual 60-acres. In March of 2003, January, March and November, 2005, and March, 2006, the Board approved similar requests for drilling of multiple wells in each unit in the adjacent Oakwood field. The field rule modification was approved.

34. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for re-pooling of coalbed methane unit AE-148, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0621-1471-01.

In the AE-148 69.66-acre unit, the operator controls 97.4% of the coal and gas interests, and seeks to pool the remaining 2.6% of the interests. Unleased acreage subject to pooling totals 2.1 net acres in one tract with two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in June, 2005. A permit to drill the unit was issued on 11/29/05, and a well has been drilled. Re-pooling was approved.

35. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for re-pooling of coalbed methane unit AE-149, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0621-1472-01.

In the AE-149 69.66-acre unit, the operator controls 97.0% of the coal and gas interests, and seeks to pool the remaining 3.0% of the interests. Unleased acreage subject to pooling totals 2.1 net acres in one tract with two unleased owners. There are no conflicting claimants or unknown owners subject to escrow. The unit was originally pooled in June, 2005. A permit to drill the unit was issued on 8/11/05, and a well has been drilled. Re-pooling was approved.

The Virginia Gas and Oil Board heard public comments regarding Board matters immediately following the final docket item.

The deadline for filing of petitions to the Board for the June 2006 hearing is 5 p.m., Friday, May 19, 2006 with the hearing scheduled for 9 a.m. on Tuesday, June 20, 2006 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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